

# FISCAL NOTE

**Bill #:** HB0798

**Title:** Increase tax rates on certain income and provide disposition of revenue

**Primary Sponsor:** Kaufmann, C

**Status:** As Introduced

Sponsor signature

Date

David Ewer, Budget Director

Date

## Fiscal Summary

	<b><u>FY 2006 Difference</u></b>	<b><u>FY 2007 Difference</u></b>
<b>Expenditures:</b>		
State Special Revenue	\$5,800,000	\$5,800,000
<b>Revenue:</b>		
General Fund	\$267,000	\$15,000
State Special Revenue	\$5,800,000	\$5,800,000
<b>Net Impact on General Fund Balance:</b>	<b>\$267,000</b>	<b>\$15,000</b>

- |   |   |
|---|---|
| <input type="checkbox"/> Significant Local Gov. Impact    | <input type="checkbox"/> Technical Concerns                       |
| <input type="checkbox"/> Included in the Executive Budget | <input checked="" type="checkbox"/> Significant Long-Term Impacts |
| <input type="checkbox"/> Dedicated Revenue Form Attached  | <input checked="" type="checkbox"/> Needs to be included in HB 2  |

## Fiscal Analysis

### ASSUMPTIONS:

#### **Department of Revenue:**

- This bill provides additional funding for child care for low-income families by increasing individual income tax rates. Under current law, individual income tax rates range from 1% to 6.9% of taxable incomes in excess of \$13,900. Under this bill individual income tax rates would range from 1% to 7.9% of taxable income in excess of \$1,000,000, as shown in the following table.

TAX YEAR 2005									
CURRENT LAW TAX RATE TABLE					HB796 PROPOSED LAW TAX RATE TABLE				
Taxable Income Bracket				Tax Rate	Taxable Income Bracket				Tax Rate
\$	-	to	\$ 2,300	1%	\$	-	to	\$ 2,300	1%
\$	2,300	to	\$ 4,100	2%	\$	2,300	to	\$ 4,100	2%
\$	4,100	to	\$ 6,200	3%	\$	4,100	to	\$ 6,200	3%
\$	6,200	to	\$ 8,400	4%	\$	6,200	to	\$ 8,400	4%
\$	8,400	to	\$ 10,800	5%	\$	8,400	to	\$ 10,800	5%
\$	10,800	to	\$ 13,900	6%	\$	10,800	to	\$ 13,900	6%
\$	13,900	and over		6.9%	\$	13,900	to	\$ 250,000	6.9%
					\$	250,000	to	\$ 500,000	7.25%
					\$	500,000	to	\$ 750,000	7.5%
					\$	750,000	to	\$ 1,000,000	7.75%
					\$	1,000,000	and over		7.9%

## **Fiscal Note Request HB0798, As Introduced**

(continued)

2. Effective on passage and approval, the bill applies retroactively to tax years beginning after December 31, 2004 (tax year 2005 and thereafter). Based on Department of Revenue simulation modeling, it is estimated that this bill will increase tax year 2005 individual income tax liability by \$6.067 million; this will increase FY 2006 individual income tax collections by the same amount. Tax year 2006 tax liability will increase by \$5.815 million, increasing FY 2007 individual income tax collections by the same amount.
3. Currently, individual income tax revenue is deposited 100% to the state general fund. This bill changes that distribution by providing that for each year of the 2007 biennium \$5.8 million of individual income tax revenue be deposited in the prevention and stabilization account in the state special revenue fund to the credit of the Department of Public Health and Human Services to provide child care for low-income families.
4. There are no additional administrative impacts from this bill to the Department of Revenue.

### **Department of Public Health and Human Services**

5. This bill provides \$5.8 million in state special revenue for each year of the 2007 biennium to the Department of Public Health and Human Services to provide childcare for low-income families.
6. It is estimated that this \$5.8 million would provide childcare services for 986 low-income families and 1,670 children per year.

### FISCAL IMPACT:

	<u>FY 2006</u> <u>Difference</u>	<u>FY 2007</u> <u>Difference</u>
<u>Expenditures:</u>		
Operating Expenses	\$5,800,000	\$5,800,000
<u>Funding of Expenditures:</u>		
State Special Revenue (02)	\$5,800,000	\$5,800,000
<u>Revenues:</u>		
General Fund (01)	\$267,000	\$15,000
State Special Revenue (02)	\$5,800,000	\$5,800,000
<u>Net Impact to Fund Balance (Revenue minus Funding of Expenditures):</u>		
General Fund (01)	\$267,000	\$15,000
State Special Revenue (02)	\$5,800,000	\$5,800,000

### EFFECT ON COUNTY OR OTHER LOCAL REVENUES OR EXPENDITURES:

None.

### LONG-RANGE IMPACTS:

Revenue to the state general fund will increase by approximately \$6,000,000 in FY 2008, and will grow over time with taxable incomes subject to the new tax rates provided for in the bill.